



July 23, 2004

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

**RE: Study on Requiring Disclosures for Debit Card Fees (Docket No. OP-1196)**

Dear Ms. Johnson,

The Michigan Credit Union League (MCUL) appreciates the opportunity to provide comments to the Federal Reserve Board (FRB) concerning the FRB's study on requiring disclosures for debit card fees. The MCUL is a trade association representing over 90% of state and federally chartered credit unions in the state of Michigan. This comment letter was drafted in consultation with the MCUL Government Affairs Committee, which is comprised of Michigan credit union staff and officials.

MCUL appreciates the FRB's efforts to evaluate disclosures for debit card fees. MCUL does not believe that there is anything wrong with the current disclosures, however if the FRB decided to amend periodic statement requirements to show point-of-sale (POS) fees separately, we would not oppose that. We also would support a study of POS fees and disclosures for credit unions as compared to banks.

**Summary of Comments**

1. MCUL currently believes that the disclosures provided to consumers regarding point-of-sale fees are adequate and do not need to be changed. While POS terminals do not disclose an additional fee, MCUL believes that most consumers understand that using their debit cards for "online" transactions often result in fees.
2. While we do not believe that additional periodic fee disclosures are necessary for credit union statements, we can accept the proposal to list debit card fees separately with each transaction or as a total identified for that specific fee on the statement. However, we do not believe that periodic statements should be required to reflect the source and recipient of fees, as this may be difficult and costly to track.
3. We do not believe that periodic statements should be required to reflect a summary of the total amount of such fees for that reporting period and calendar year-to-date.
4. We do not believe that electronic terminals should be required to disclose the fees assessed by credit unions. It would be difficult to monitor for credit unions that offer a certain number of

free point-of-sale transactions before assessing a fee. It may be difficult for some credit union data processing systems to be able to identify when a fee is being assessed and when it is not.

5. We support the idea of the FRB studying the difference between debit fees at credit unions and banks.

## **Discussion**

**Current Disclosures Are Adequate.** MCUL currently believes that the disclosures provided to consumers regarding point-of-sale fees are adequate and do not need to be changed. We believe that consumers have been adequately educated as to the current process of fee activities from using their debit cards. For those institutions that charge a fee for point-of-sale transactions, consumers have been made aware through previous disclosures and experience, that when they are required to enter their personal identification number (PIN) during transactions, that they will most likely be assessed a fee. That is why so many consumers choose to use their debit card as an “offline” debit transaction with a signature. Also, there are many retailers who require consumers to use their debit cards as “offline” signature transactions and do not offer the option of an “online” transaction. Consequently, because both consumers and retailers have gained some familiarity of use with these procedures we do not believe that requiring a change in disclosure requirements would greatly benefit those using POS transactions.

**Separate POS Fee Disclosures Are Acceptable.** MCUL believes that the current disclosures for debit cards and POS transactions are sufficient. If it is the Federal Reserve’s intent to change the requirements however, we believe that either listing the debit card fees individually or as their own separate category on an account statement would be acceptable. Many credit unions already post any fees charged to POS transactions individually as a courtesy to their members. We recognize that as consumers review their statements, they may not spend the time necessary to identify the category that discloses general fees they have been charged. By specifically identifying fees associated with their debit card, it would make the statement easier to read as well as easier to keep track of the fees associated with their debit card use over the course of the month. This may be of use in helping consumers self-monitor their spending habits and any practices that may not be to their benefit. However, MCUL opposes the proposal that periodic statements should be required to reflect the source and recipient of fees. This would be difficult for credit unions to track and we do not believe that it offers any significant advantage to the consumer.

**Annual Fee Disclosure Not Necessary.** MCUL does not believe that it is necessary to maintain a running total of fees paid over the course of a month or year. This is not required for other fees associated with accounts and we do not believe that a running total of POS fees should be treated any differently than other fees. We believe that this would only serve to lead members to believe that these fees are particularly important, or make them believe they are unfair. As one credit union CEO pointed out, the term fees is misleading as this connotes the image of a penalty being placed on the consumer. These “fees” are, in fact, charges that are assessed for a service. The service discussed being the ease of use with which credit union members can instantly access their account. These services cost the credit union money that is, in turn, passed on to the consumer.

**Fee Disclosures at POS Terminals.** MCUL does not believe that any fees the credit union may assess should have to be disclosed at the POS terminal. According to current regulations, a transaction fee must be disclosed on the receipt, and additionally displayed on or at the terminal, only

if the fee is included in the amount of the transfer. This is easy to determine by the institution charging the fee because they can include it into the amount of the transfer. It is much more difficult for credit unions to be able to determine and transmit to the terminal whether a fee will be charged. This has to do with current data processing system limitations that may not be able to determine, at the moment of transaction, if a credit union will assess a fee. Many credit unions allow their members limited number of “free” POS transactions before assessing a fee. Not all credit unions may have the capacity to determine and transmit to the POS terminal if they will be assessing a fee at that time. This may lead to credit unions always indicating there is a fee associated with a POS transaction when there is not, or perhaps failing to disclose that there is a fee which could be potentially of more detriment.

**Support of the Credit Union/ Bank Survey.** MCUL supports the idea that the FRB conduct a survey to determine the differences between bank and credit union fees with regards to debit card POS transactions. We believe that credit unions continue to, on average, offer superior service and lower fees than banks. We believe that an FRB survey on debit card fees would support this idea, though we ask that a neutral party with neither affiliations to banks nor credit unions conduct it. The more educated consumers are to the “credit union difference” the more likely they are to support credit unions tax-exemption as not-for-profit, financial cooperatives and utilize their services.

We thank you for the opportunity to comment.

Sincerely,

A handwritten signature in dark ink, appearing to read "Matthew O. Beard". The signature is fluid and cursive, with the first name "Matthew" and last name "Beard" clearly distinguishable.

Matthew Beard  
Regulatory Specialist  
Michigan Credit Union League

cc: Credit Union National Association, Inc.